SANITA MANUFACTURING (M) SDN. BHD. & ANOR.

v.

CHANCHAI AROONRATANAWONGSE

SUPREME COURT, KOTA BHARU
WAN SULEIMAN SCJ
HASHIM YEOP SANI SCJ
SYED AGIL BARAKBAH SCJ
[CIVIL APPEAL NO. 314 OF 1985]
15 FEBRUARY 1987

TRADEMARKS: *2nd appellant as agent of respondent registered trademark in the respondent's name whether agent without the authority of respondent can then replace him as registered proprietor of said trademark - Trade Marks Act 1976 - Section 45(1)(a).*

On 23 March 1973, a company by the name of Sanita Manufacturing Co. Ltd., Bangkok ("the Bangkok company") engaged in the manufacture of sanitary napkins of which the respondent was the managing director, entered into an agreement with the 2nd appellant for the sale and distribution of sanitary napkins in Malaysia and Singapore. In the agreement, the 2nd appellant was appointed sole agent to distribute the goods in the territories concerned.

The agreement provided *inter alia* that the Bangkok company authorised the agent to make application to the Registry of Trade Marks or any government body for the registration of all trade marks etc. within the territories concerned and such applications were to be made in the name of the company. Pursuant to the agreement the 2nd appellant on 28 March 1973 submitted to the Registry of Trade Marks, Kuala Lumpur, to have the "Sanita" trade mark registered in the name of the respondent. However it was alleged by the respondent as plaintiff in the Court below that on 28 January 1974, the 2nd appellant without his authority or consent fraudulently replaced the respondent as the registered proprietor of the trade mark and inserted the name of the 1st appellant.

On 11 March 1984, the respondent filed a notice of originating motion for an order that the entry in the Registry of Trade Marks on 28 January 1974 submitted by the 2nd appellant be expunged from the said register and the respondent be restored as the registered proprietor of the said trade mark. The respondent also alleged that the agent was acting outside the purview of his capacity as agent under the 1973 agreement and as a result had deprived him of his proprietary rights in the trade mark and that he had consequently suffered losses. The learned Judge in the Court below found in favour of the respondent. Hence this appeal.

Held:

[1] On the question of fraud, it was established that the original application for the registration of the trade mark was submitted on behalf of the respondent by the 2nd appellant. In the second application the respondent had not signed the application himself and he was not involved in the second application; in fact he was totally unaware of it.

[2] The equity participation by the Malaysian company did not amount to a transfer or assignment of the trade mark.

[3] This case can be viewed either as an entry made without sufficient cause or as an entry wrongfully remaining in the register. As the entry on 28 January 1974 had been fraudulently made, without the knowledge and consent of the respondent, the alteration should be expunged from the register.

[Appeal dismissed with costs.]

Case referred to:
G.E. Trade Mark [1973] RPC 297

Legislation referred to:
Trade Description Act 1972, s. 16(1)
Trade Marks Act 1976, s. 45(1)(a)

For the appellants - Wong Sai Fong; M/s. Shearn Delamore & Co.
For the respondent - Lim Hong Sang; M/s. H.S. Lim, Teo & Partners

JUDGMENT

Hashim Yeop Sani SCJ:

To the uninitiated this case provides an excellent illustration of the intricacies of the business world where rivalry even between business partners is not uncommon. The respondent and the second appellant were partners in business in 1973 but in less than a year thereafter became rivals in the same undertaking.

A brief background note on the case is necessary. On 20 March 1973 a company by the name of Sanita Manufacturing Co. Ltd., Bangkok (the Bangkok company) engaged in the manufacture of sanitary napkins of which the repondent was the managing director entered into an agreement with the second appellant for the sale and distribution of sanitary napkins in Malaysia and Singapore. In the agreement the second appellant was appointed sole agent to distribute the goods in the territories concerned.

There are four important provisions in the 1973 agreement. The first provision dealt with the conferment on the second appellant the exclusive rights to purchase for resale of the goods produced by the Bangkok company in the territories concerned. The second provision dealt with the covenants by the Bangkok company and the agent. The covenants included the undertaking not to sell any of the products to any other person within the territories concerned. The covenants also included the undertaking to safeguard the sole and exclusive rights granted to the agent. The covenant by the agent was expressly to sell the products and to promote the products as much as possible. The third provision dealt with the authorisation by the Bangkok company to the agent to make application to the Registry of Trade Marks or any other government body for registration of all trade marks, emblems, designs, patterns and all other industrial or commercial monopoly rights within the territories concerned and such applications to be made in the name of the company. The fourth provision dealt with the operation of the agreement which provided to the effect that after the expiration of ten years from the date of the agreement either party shall have the right to determine the agreement by giving six calendar months' notice in writing.

Pursuant to the 1973 agreement the second appellant on 28 March 1973 submitted to the Registry of Trade Marks, Kuala Lumpur to have the "Sanita" trade mark registered in the name of the respondent. By virtue of the said registration the respondent became the registered proprietor of the trade mark. However it was alleged by the respondent as plaintiff in the Court below that on 28 January 1974 the second appellant without his authority or consent fraudulently submitted form TM 35 to replace the respondent as the registered

proprietor of the trade mark and to insert the name of the first appellant, that is Sanita Manufacturing (Malaysia) Sdn. Bhd. (the Malaysian company). On 19 September 1983 the first appellant applied for a trade description order under sub-section (1) of s. 16 of the Trade Description Act 1972.

On 11 March 1984 the respondent filed a notice of originating motion for an order that the entry in the Registry of Trade Marks on 28 January 1974 pursuant to form TM 35 submitted by the second appellant be expunged from the said register and the respondent to restored as the registered proprietor of the said trade mark.

In his affidavit in support of the notice of motion the respondent alleged fraud on the part of the second appellant and that the second appellant in submitting Form TM 35 to effect the alteration was acting outside the purview of his capacity as agent under the 1973 agreement and as a result of the deprivation of his proprietary rights in the trade mark the respondent has suffered losses.

There are many subsidiary issues which need not be resolved presently. For example what was the effect on the 1973 agreement by the formation of the Malaysian company which began to manufacture the same products between October 1975 and August 1981 when the factory was destroyed by fire. After the 1981 fire importation of the products from the Bangkok company with the "Sanita" trade mark resumed although the labelling particulars did not identify the respondent as the owner of the trade mark.

But the main issue is really quite straight forward. It is the question whether the act of the second appellant on 28 February 1974 was done without knowledge or authority or consent of the respondent and whether it was fraudulently done to deprive the respondent of his rights as the registered proprietor of the said trade mark. The learned Judge made the finding in the affirmative.

In his written judgment the learned Judge made several vital findings relating to this issue. This appears at pp. 28-30 of the judgment. A summary of the arguments relied on by the learned Judge may be stated as follows:

(1) It is not in dispute that the Malaysian company had agreed to give 25% equity participation to the respondent and this equity participation was made possible by way of a loan of RM25,000 each from the second appellant and his two brothers who set up the malaysian company. The learned Judge was of the view that the equity participation had nothing to do with the sale, transfer or assignment of the trade mark. He felt that his view was strengthened by the fact that on 17 March 1976 the Malaysian company paid the respondent RM1,000 *vide* a letter with the heading "Re:Royalties of Sanita Trade Mark" which was acknowledged by the respondents on the following day. The learned Judge held that as on 17 March 1976 it was clear that the appellants still regarded the respondent as the proprietor of the said trade mark. He also held that the payment of royalty had the effect of misleading the respondent that he was still the owner and proprietor of the trade mark although his name had been substituted by that of the Malaysian company in 1974.

(2) On the question of fraud the learned Judge gave his reason that the original application for registration of the trade mark was submitted on behalf of the respondent by the second appellant who only gave his address as the address for service. It should also be borne in mind that the respondent in the first instance signed the application himself but not when TM 35 form was submitted by the second appellant on 28 January 1974. The learned Judge found that the respondent was not involved in the second application and that he was totally unaware of it.

(3) The learned Judge also considered the argument by the appellants that the equity participation was in fact the purchase of the trade mark. He concluded however that there was in fact no transfer or assignment of the trade mark by virtue of the equity participation.

With respect we agree with these findings of the learned Judge which findings were in fact based on the affidavits filed before him.

We might add however that the argument put forward by the second appellant in the Court below would seem to have many loose ends. In his affidavit in opposition the second appellant alleged that there was an "oral appointment" by the respondent of one firm, Wah Sang Loong of No. 11, Jalan Silang, Kuala Lumpur as the distributor of the sanitary napkins of the Bangkok company in March 1973. But it was revealed subsequently that the firm belonged to the second appellant and his two brothers.

It was also alleged by the second appellant that the 1973 agreement ceased to operate and was terminated by mutual consent in mid-1975 after the firm, Wah Sang Loong, began to experience difficulties due to high percentage of damage and high import duties of the goods. It was also because of these difficulties which led to the formation of the Malaysian company to manufacture the same products. But according to Clause 10 of the 1973 agreement the agreement was to operate for ten years and only after the expiration of ten years from the date of the agreement will either party have the right to give six calendar months' notice of termination. We find no evidence that the agreement was terminated orally or otherwise in mid-1975. In fact the only evidence of termination was by the respondent referred to in his affidavit affirmed on 22 October 1984 in that he had sent the notice of termination to the second appellant on 21 February 1984.

The fact that a mark is entered upon the register is *prima facie* evidence of the validity of the original registration and of the right of the registered proprietor to the exclusive use of the mark. See also *G.E. Trade Mark* [1973] RPC 297.

Section 45(1)(a) of the Trade Marks Act 1976 reads:

> The Court may on the application in the prescribed manner of any person aggrieved by the non-insertion in or omission from the Register of any entry or by any entry made in the Register without sufficient cause or by any entry wrongfully remaining in the Register, or by any error or defect in any entry in the Register, make such order for making, expunging or varying such entry as it thinks fit.

This case can be viewed either as an entry made without sufficient cause or as an entry wrongfully remaining in the register. Since there is evidence on which the learned Judge relied (with which we agree) to hold that the second appellant had fraudulently and without the knowledge and consent of the respondent altered the entry on 28 January 1974 the alteration should be expunged from the register.

We accordingly dismiss the appeal with costs and affirm the order of the learned Judge.

Also found at [1987] 2 CLJ 111